

*Ann M. Menke*

**Certified Public Accountant  
A Professional Corporation**

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**SOUTH IOWA AREA DETENTION SERVICE AGENCY**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2009**

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## **SOUTH IOWA AREA DETENTION SERVICE AGENCY**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Steve McCoy	Executive Director	
Linda Clemens	Facility Director	
Max Proctor	Chairman	Davis County
Willie Van Weelden	Vice Chairman	Mahaska County
Jerry Parker	Secretary/Treasurer	Wapello County
Dean Kaster	Member	Appanoose County
Bob Brown	Member	Union County
Dan Cahill	Member	Des Moines County
Chris Ball	Member	Louisa County
Larry Kruse	Member	Lee County
Dennis Smith	Member	Lucas County
Richard Reed	Member	Jefferson County

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## Independent Auditor's Report

To the Board of Directors of the  
South Iowa Area Detention Service Agency  
Fairfield, Iowa

I have audited the accompanying financial statements of the South Iowa Area Detention Service Agency as of and for the year ended June 30, 2009, which collectively comprise of the Agency's basic financial statements listed in the table of contents. These financial statements are the responsibility of the South Iowa Area Detention Service Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

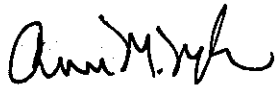
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the South Iowa Area Detention Service Agency at June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 13, 2009 on my consideration of the South Iowa Area Detention Service Agency's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 12 and page 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann M. Menke".

Ann M. Menke  
Certified Public Accountant  
Professional Corporation  
November 13, 2009

*Ann M. Menke*

**Certified Public Accountant  
A Professional Corporation**

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**SOUTH IOWA AREA DETENTION SERVICE AGENCY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The South Iowa Area Detention Service Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the South Iowa Area Detention Service Agency is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- The Agency's operating receipts decreased 19.2%, or approximately \$301,376, from fiscal 2008 to fiscal 2009.
- The Agency's operating disbursements decreased 21.6%, or approximately \$411,580, from fiscal 2008 to fiscal 2009.
- The Agency's net assets decreased 34.5%, or approximately \$818,728 from June 30, 2008 to June 30, 2009.

### **USING THIS ANNUAL REPORT**

The South Iowa Area Detention Service Agency is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the South Iowa Area Detention Service Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Assets presents all of the Agency's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the Agency's net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the operating revenues and expenses, non-operating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.



## FINANCIAL ANALYSIS OF THE AGENCY

### *Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for all activities.

	Net Assets	
	June 30,	
	2009	2008
Current assets	\$ 919,915	\$ 874,915
Capital assets at cost, less accumulated depreciation	758,037	1,636,892
Other noncurrent assets	0	0
Total assets	1,677,952	2,511,807
Current liabilities	125,212	140,339
Noncurrent liabilities	0	0
Total liabilities	125,212	140,339
Net assets:		
Invested in capital assets, net of related debt	758,037	1,636,892
Unrestricted	794,703	734,576
Total net assets	\$ 1,552,740	\$ 2,371,468

The largest portion of the Agency's net assets are unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements is approximately \$795,000 at the end of this year.

### *Statement of Revenues, Expenses and Changes in Net Assets*

Operating revenues consist of county assessments, county transport fees, and other reimbursements. Operating expenses are expenses paid to operate the South Iowa Area Detention Service Agency. Non-operating revenues and expenses are interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2009 is presented below:

# Changes in Net Assets

	Year ended June 30,	
	2009	2008
Operating revenue:		
Charges for service	\$ 904,879	\$ 1,153,382
DHS reimbursement	324,661	384,310
Lunch program reimbursement	18,759	26,483
Miscellaneous income	17,166	2,666
Total operating revenue	<u>1,265,465</u>	<u>1,566,841</u>
Operating expenses:		
Salaries and wages	831,066	1,089,823
Employee benefits	247,620	315,838
Advertising	337	224
Bad debt expense	-1,195	588
Depreciation and amortization	81,939	110,495
Dues and subscriptions	476	1,014
First aid and pharmacy expense	11,913	3,392
Food service	35,634	51,432
Insurance	62,735	63,584
Juvenile clothing, linens, and other supplies	3,898	5,108
Office supplies, postage, and printing	3,956	4,603
Physician and other medical	12,353	17,002
Professional fees	39,013	36,930
Repairs and maintenance	15,327	26,170
Telephone	7,813	9,676
Training expense	2,557	6,393
Transports	90,819	109,951
Trash removal	1,742	2,718
Travel and auto expense	10,786	7,680
Utilities	32,614	40,362
Total operating expenses	<u>1,491,403</u>	<u>1,902,983</u>
Operating loss/income	<u>-225,938</u>	<u>-336,142</u>
Non-operating revenues (expenses):		
Interest income	3,865	18,324
Loss on sale	-596,655	0
Net non-operating expenses	<u>-592,790</u>	<u>18,324</u>
Change in net assets	-818,728	-317,818
Net assets beginning of year	<u>2,371,468</u>	<u>2,689,286</u>
Net assets end of year	<u>\$ 1,552,740</u>	<u>\$ 2,371,468</u>

The Agency's net assets decreased approximately \$818,728, during the year. Revenues decreased approximately \$301,376 over the prior year.

The Agency's operating expenses this year were approximately \$1.5 million compared to approximately \$2.4 million last year.

### ***Statement of Cash Flows***

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities.

### **CAPITAL ASSETS**

The Agency's capital assets include land, buildings and improvements and equipment. Capital assets totaled \$758,037 (net of accumulated depreciation at June 30, 2009. See Note 4 to the financial statements for more information about the Agency's capital assets.

### **LONG-TERM DEBT**

At June 30, 2009, the Agency had no debt outstanding.

### **ECONOMIC FACTORS**

A review of the fiscal year budget for the South Iowa Area Detention Service Agency showed actual operating income lower than expected by \$792,929, while operating revenue was \$607,335 lower than expected and operating expenses were \$397,926 less than projected.

Current cash status showed a total of \$459,026 in all accounts.

The State Detention Reimbursement Fund remitted \$324,661, which covered approximately 17.06% of our operating expenses for fiscal year 2009.

The fiscal year ended with 4,962 billing days, down approximately 1,400 days from fiscal year 2008. Of the 4,962 billing days, only 960 were at Lucas facility, which was closed 31 Dec 08, due to low capacity causing substantial financial losses on a monthly basis. For the first half of FY09, Lucas facility averaged 25 percent capacity with an ADP of 5. Overall for the year, capacity at the Lee facility was approximately 50% and average daily population was almost 11. An average daily population of at least 15 is necessary to meet expenses for the Lee facility.

The Lucas facility building and surrounding property was sold in June, 2009 to Circle of Life Hospice of Chariton for \$250,000.

Two of the member counties, Union and Lucas, notified the Chairman of their intent to withdraw from the Agency. Both counties indicated that with only the Lee facility operating, the transport time/distance was too great for them to continue to use it, and both had signed agreements to house juveniles at Clark County Jail in Osceola. Both counties were refunded \$24,860.80 each as a 10 percent share of the net proceeds of the aforementioned property sale.

## **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our members, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve McCoy, Executive Director, South Iowa Area Detention Service Agency, 212 Glasgow Road, Fairfield, Iowa, 52556.

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## **BASIC FINANCIAL STATEMENTS**

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**STATEMENT OF NET ASSETS**

**June 30, 2009**

**Assets**

## Current assets:

Cash	\$ 459,026
Accounts receivable - Counties, net of allowance of \$4,624	113,439
Accounts receivable - DHS	324,661
Interest receivable	48
Prepaid insurance	22,741
<b>Total current assets</b>	<u>919,915</u>

## Noncurrent assets:

Capital assets (net of accumulated depreciation)	758,037
<b>Total noncurrent assets</b>	<u>758,037</u>

<b>Total assets</b>	<u>1,677,952</u>
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**Liabilities**

## Current liabilities:

Accounts payable	71,049
Salaries and benefits payable	31,340
Compensated absences	22,823
<b>Total current liabilities</b>	<u>125,212</u>

<b>Total liabilities</b>	<u>125,212</u>
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**Net assets**

Invested in capital assets, net of related debt	758,037
Unrestricted	794,703
<b>Total net assets</b>	<u>\$ 1,552,740</u>

See notes to financial statements.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Year Ended June 30, 2009**

Operating revenues:	
Detention care fees	\$ 814,060
Transport fees	90,819
DHS reimbursement	324,661
Lunch program reimbursement	18,759
Miscellaneous income	17,166
Total operating revenues	<u>1,265,465</u>
Operating expenses:	
Salaries and wages	831,066
Employee benefits	247,620
Advertising	337
Bad debt expense	(1,195)
Depreciation and amortization	81,939
Dues and subscriptions	476
First aid and pharmacy expense	11,913
Food service	35,634
Insurance	62,735
Juvenile clothing, linens, and other supplies	3,898
Office supplies, postage, and printing	3,956
Physician and other medical	12,353
Professional fees	39,013
Repairs and maintenance	15,327
Telephone	7,813
Training expense	2,557
Transports	90,819
Trash removal	1,742
Travel and auto expense	10,786
Utilities	32,614
Total operating expenses	<u>1,491,403</u>
Operating loss	<u>(225,938)</u>
Non-operating revenues (expenses)	
Interest income	3,865
Loss on sale	(596,655)
Net non-operating expenses	<u>(592,790)</u>
Change in net assets	(818,728)
Net assets beginning of year	<u>2,371,468</u>
Net assets end of year	<u>\$ 1,552,740</u>

See notes to financial statements.



**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2009**

Cash flows from operating activities:

Operating loss	\$ (818,728)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	81,939
Loss on sale	596,655
(Increase)/decrease in:	
Accounts receivable	97,812
Prepaid expenses	17,824
Interest receivable	443
Increase/(decrease) in:	
Accounts payable	44,082
Accrued liabilities	(59,209)
Total adjustments	<u>779,546</u>
Net cash used by operating activities	(39,182)
Cash flows from investing activities	
Proceeds from sale	<u>200,261</u>
Net cash provided by investing activities	200,261
Net increase in cash	161,079
Cash and cash equivalents beginning of year	<u>297,947</u>
Cash and cash equivalents end of year	<u><u>\$ 459,026</u></u>

See notes to financial statements.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The South Iowa Area Detention Service Agency was formed in 1991 by ten Southern Iowa member counties, pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency operates a juvenile detention facility located in Montrose, Iowa. The Agency is governed by a Board comprised of one representative from each of the following member counties: Appanoose, Davis, Des Moines, Jefferson, Lee, Lucas, Louisa, Mahaska, Union, and Wapello. In the performance of its duties, the Board may cooperate with, contract with, and accept and expend funds from federal, state, or local agencies, public or semi-public, private individuals or corporations, and may carry out such cooperative undertakings and contracts as provided by law. The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the South Iowa Area Detention Service Agency has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The South Iowa Area Detention Service Agency has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

Several members of the Agency's board of directors are also board members of the South Iowa Area Crime Commission, which is a jointly governed organization since it provides services to the member counties of the Agency but does not meet the criteria of a joint venture.

**B. Basis of Presentation**

The accounts of the South Iowa Area Detention Service Agency are organized as an Enterprise Fund. Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services.

Enterprise funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due.

The Agency applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

**D. Budgets**

The Agency annually adopts a budget on the accrual basis. The annual budget may be amended during the year upon approval of the Board. The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**E. Assets, Liabilities, and Net Investments**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets – Capital assets, which include property, equipment, and vehicles are accounted for at historical cost or estimated historical costs if actual cost is not available. Donated assets are valued at their estimated fair value on the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Buildings and improvements	\$ 25,000
Equipment and vehicles	4,000

Capital assets of the Agency are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25-35 years
Equipment and furnishings	5-10 years
Vehicles	3-8 years

Income Taxes – The Agency is exempt from federal and state income taxes.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Unused vacation hours are paid upon termination, retirement, or death. Employees accumulate sick leave up to a maximum of 108 days. If not used this sick leave is lost except upon retirement at which time the agency will buy back the unused sick leave at a rate of one hour for every three hours unused provided the employee is eligible to retire in accordance with IPERS guidelines. The Agency's approximate liability for earned vacation payable to employees at June 30, 2009, is \$22,823. The maximum potential liability for employee sick leave at June 30, 2008 is \$90,347. This liability has been computed based on rates of pay as of June 30, 2009.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The Agency's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposits or other evidences of deposit at federally insured depository institutions approved by the Agency Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The Agency had no investments at June 30, 2009 other than those described below.

The Agency had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$424,595 at June 30, 2009 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The Agency's investment policy limits the investment of operating funds (funds to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

Credit risk. The Agency's investment in Iowa Public Agency Investment Trust is unrated.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 3 – PENSION AND RETIREMENT BENEFITS**

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.1% of their annual covered salary and the Agency is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$53,912, \$65,294, and \$61,368, respectively, equal to the required contribution for each year.

**NOTE 4 – CAPITAL ASSETS**

A summary of capital assets at June 30, 2009 is as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Capital assets being depreciated:				
Buildings and improvements	\$ 3,084,959	-	(1,552,060)	\$ 1,532,899
Equipment and furnishings	169,305	-	(89,058)	80,247
Vehicles	39,500	-	(25,200)	14,300
Total capital assets being depreciated	3,293,764	-	(1,666,318)	1,627,446
Less accumulated depreciation for:				
Buildings and improvements	1,463,340	76,964	(759,920)	780,384
Equipment and furnishings	155,462	3,545	(84,282)	74,725
Vehicles	38,070	1,430	(25,200)	14,300
Total accumulated depreciation	1,656,872	81,939	(869,402)	869,409
Total capital assets, net	\$ 1,636,892	(81,939)	(796,916)	\$ 758,037

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 5 – RISK MANAGEMENT**

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2009 were \$23,129.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**NOTE 5 – RISK MANAGEMENT (Continued)**

The Pools' intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the Agency's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The Agency assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 6 – DESIGNATED NET ASSETS**

The Board of Directors approved establishing a Capital Improvement Fund with an initial deposit of \$50,000. Subsequent deposits of \$2 per billing day are made on a quarterly basis for capital improvements. At June 30, 2009 the fund had a balance of \$91,496.

**NOTE 7 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 13, 2009, the date which the financial statements were available for issue.



*Anna M. Menke*

**Certified Public Accountant  
A Professional Corporation**

## **SUPPLEMENTAL INFORMATION**

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**ACTUAL TO BUDGET**  
**Year Ended June 30, 2009**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Operating revenues:			
Detention care fees	\$ 814,060	\$ 1,361,700	\$ (547,640)
Transport fees	90,819	100,000	(9,181)
DHS reimbursement	324,661	360,000	(35,339)
Lunch program reimbursement	18,759	28,500	(9,741)
Miscellaneous income	17,166	22,600	(5,434)
Total operation revenues	<u>1,265,465</u>	<u>1,872,800</u>	<u>(607,335)</u>
Operating expenses:			
Salaries and wages	831,066	1,137,401	306,335
Employee benefits	247,620	355,383	107,763
Advertising	337	100	(237)
Bad debts	(1,195)	-	1,195
Depreciation and amortization	81,939	-	(81,939)
Dues and subscriptions	476	1,000	524
First aid and pharmacy expense	11,913	24,500	12,587
Food service	35,634	65,000	29,366
Insurance	62,735	45,000	(17,735)
Juvenile clothing, linens, and other supplies	3,898	7,050	3,152
Office supplies, postage, and printing	3,956	6,000	2,044
Physician and other medical	12,353	16,250	3,897
Professional fees	39,013	38,495	(518)
Repairs and maintenance	15,327	27,150	11,823
Telephone	7,813	10,000	2,187
Training expense	2,557	6,000	3,443
Transports	90,819	100,000	9,181
Trash removal	1,742	2,500	758
Travel and auto expense	10,786	7,000	(3,786)
Utilities	32,614	40,500	7,886
Total operating expenses	<u>1,491,403</u>	<u>1,889,329</u>	<u>397,926</u>
Operating income	(225,938)	(16,529)	(209,409)
Non-operating revenues (expenses)			
Interest income	3,865	17,000	(13,135)
Gain/(loss) on sale	(596,655)	-	(596,655)
Net non-operating expenses	<u>(592,790)</u>	<u>17,000</u>	<u>(609,790)</u>
Net income	<u>\$ (818,728)</u>	<u>\$ 471</u>	<u>\$ (819,199)</u>

See accompanying notes.

*Anna M. Menke*

**Certified Public Accountant  
A Professional Corporation**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Directors of the  
South Iowa Area Detention Service Agency  
Fairfield, Iowa

I have audited the accompanying financial statements of the South Iowa Area Detention Service Agency as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued my report thereon dated November 13, 2009. My report expressed an unqualified opinion on the financial statements. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the South Iowa Area Detention Service Agency's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of South Iowa Area Detention Service Agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the South Iowa Area Detention Service Agency's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the South Iowa Area Detention Service Agency's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of South Iowa Area Detention Service Agency's financial statements that is more than inconsequential will not be prevented or detected by the South Iowa Area Detention Service Agency's internal control. I consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the South Iowa Area Detention Service Agency's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item 2009-I-A is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Iowa Area Detention Service Agency's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

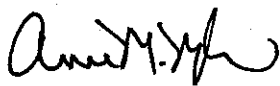
Comments involving statutory and other legal matters about the South Iowa Area Detention Service Agency's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the South Iowa Area Detention Service Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

South Iowa Area Detention Service Agency's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Agency's responses, I did not audit the Agency's responses, and accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the South Iowa Area Detention Service Agency and other parties to whom the South Iowa Area Detention Service Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the South Iowa Area Detention Service Agency during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Sincerely,



Ann M. Menke  
Certified Public Accountant  
November 13, 2009

**SOUTH IOWA AREA DETENTION SERVICE AGENCY  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2009**

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

2009-I-A:

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the same individual who prepares the bank deposits may also prepare billings, maintain cash receipts and accounts receivable records, prepare checks, and record disbursements in the accounting records.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager and other staff, where appropriate, review receipts, invoices and bill payments, and payroll as much as possible.

Conclusion – Response accepted.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2009**

**Part II: Other Findings Related to Statutory Reporting:**

**2009-II-A**

Questionable Disbursements – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**2009-II-B**

Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

**2009-II-C**

Business Transactions – No business transactions between the Agency and Agency officials or employees were noted.

**2008-II-D**

Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**2009-II-E**

Agency Meetings – No transactions were found that I believe should have been approved in the Agency minutes but were not.

**2009-II-F**

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**

**Audit Staff**

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Kristy Adams, Staff Auditor